DOCUMENT RESUME

ED 439 201 UD 033 421

AUTHOR Long, Sharon K.; Kirby, Gretchen G.; Kurka, Robin; Waters, Shelley

TITLE Child Care Assistance under Welfare Reform: Early Responses by the States. Occasional Paper Number 15. Assessing the New Federalism: An Urban Institute Program To Assess Changing Social Policies.

INSTITUTION Urban Inst., Washington, DC.

SPONS AGENCY John D. and Catherine T. MacArthur Foundation, Chicago, IL.; Mott (C.S.) Foundation, Flint, MI.; David and Lucile Packard Foundation, Los Altos, CA.; McKnight Foundation, Minneapolis, MN.; Commonwealth Fund, New York, NY.; Robert Wood Johnson Foundation, New Brunswick, NJ.; Weingart Foundation, Los Angeles, CA.; Health Research and Educational Fund of New Jersey, Princeton, NJ.; Lynde and Harry Bradley Foundation, Milwaukee, WI.; Joyce Foundation, Chicago, IL.; Rockefeller Foundation, New York, NY.; Annie E. Casey Foundation, Baltimore, MD.; Kellogg Foundation, Battle Creek, MI.; Henry J. Kaiser Family Foundation, Menlo Park, CA.; Ford Foundation, New York, NY. Education and Research Div.

PUB DATE 1998-09-00

NOTE 31p.; Additional support from the Stuart Foundation.

PUB TYPE Reports - Evaluative (142)

EDRS PRICE MF01/PC02 Plus Postage.

DESCRIPTORS Agency Cooperation; *Day Care; Federal Legislation; Program Development; *State Programs; Welfare Recipients; *Welfare Services

IDENTIFIERS *Personal Responsibility and Work Opp Recon Act; *Welfare Reform

ABSTRACT

As part of the Assessing the New Federalism project, this report describes the child care assistance system in place just before the implementation of the Personal Responsibility and Work opportunity Reconciliation Act of 1996 (PRWORA) and provides some early indications of how states will use the increased freedom of the Child Care and Development Grant to develop new systems of assistance. The report begins with an overview of changes in the federal child care programs under PRWORA and the implications of these changes for the states. It then outlines the opportunities for states to improve the administration of child care assistance, the choices that states now have in program design, and the interaction and possibilities for collaboration between child care and early childhood education assistance programs. In spite of the increased investment in child care under the PRWORA, there is a great deal of uncertainty among state officials about the long-run adequacy of federal and state funding levels. Most of the 13 states studied have made relatively few changes in their child care programs. The exception is Wisconsin, which has established a universal child care program that serves all eligible families seeking assistance. The challenge in each of the states is to provide enough child care to meet the demands of welfare reform while continuing to serve nonwelfare working poor families. In contrast to the limited changes to program design, the study states have made more significant changes in the

Reproductions supplied by EDRS are the best that can be made
from the original document.

administration of child care assistance. (Contains 6 tables and 24 endnotes.) (SLD)

Reproductions supplied by EDRS are the best that can be made
from the original document.

ED 439 201

Child Care Assistance under Welfare Reform: Early Responses by the States

Sharon K. Long
The Urban Institute

Gretchen G. Kirby
Child Trends, Inc.

Robin Kurka
The Urban Institute

Shelley Waters
The Urban Institute

BEST COPY AVAILABLE

Occasional Paper Number 45

UD033421

Assessing the New Federalism
An Urban Institute Program to Assess Changing Social Policies

PERMISSION TO REPRODUCE AND DISSEMINATE THIS MATERIAL HAS BEEN GRANTED BY
S. Brown
Urban Institute
TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
1

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
This document has been reproduced as received from the person or organization originating it.
Minor changes have been made to improve reproduction quality.
Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.
2

Child Care Assistance under Welfare Reform: Early Responses by the States

Sharon K. Long
The Urban Institute

Gretchen G. Kirby
Child Trends, Inc.

Robin Kurka
The Urban Institute

Shelley Waters
The Urban Institute

Occasional Paper Number 15

Assessing the New Federalism
An Urban Institute Program to Assess Changing Social Policies

The Urban Institute
2100 M Street, N.W.
Washington, D.C. 20037
Phone: 202.833.7200
Fax: 202.429.0687
E-Mail: paffairs@ui.urban.org
http://www.urban.org

Copyright © September 1998. The Urban Institute. All rights reserved. Except for short quotes, no part of this book may be reproduced in any form or utilized in any form by any means, electronic or mechanical, including photocopying, recording, or by information storage or retrieval system, without written permission from The Urban Institute.

This report is part of The Urban Institute's *Assessing the New Federalism* project, a multi-year effort to monitor and assess the devolution of social programs from the federal to the state and local levels. Alan Weil is the project director and Anna Kondratas is the deputy director. The project analyzes changes in income support, social services, and health programs. In collaboration with Child Trends, Inc., the project studies child and family well-being.

The project has received funding from the Annie E. Casey Foundation, the W.K. Kellogg Foundation, the Henry J. Kaiser Family Foundation, the Ford Foundation, the John D. and Catherine T. MacArthur Foundation, the Charles Stewart Mott Foundation, the Commonwealth Fund, the Stuart Foundation, the Robert Wood Johnson Foundation, the Weingart Foundation, the McKnight Foundation, the Fund for New Jersey, and the Rockefeller Foundation. Additional funding is provided by the Joyce Foundation and the Lynde and Harry Bradley Foundation through a subcontract with the University of Wisconsin at Madison.

The authors would like to thank the many state and local officials and others who participated in the interviews and provided the information contained in this report. We also acknowledge the Urban Institute and Child Trends staff who conducted the site visits and prepared the background papers that served as the source for the state-specific information. We are particularly grateful for the many contributions of Sandra Clark.

BEST COPY AVAILABLE

Assessing the New Federalism

Assessing the New Federalism is a multi-year Urban Institute project designed to analyze the devolution of responsibility for social programs from the federal government to the states, focusing primarily on health care, income security, job training, and social services. Researchers monitor program changes and fiscal developments. In collaboration with Child Trends, Inc., the project studies changes in family well-being. The project aims to provide timely, nonpartisan information to inform public debate and to help state and local decisionmakers carry out their new responsibilities more effectively.

Key components of the project include a household survey, studies of policies in 13 states, and a database with information on all states and the District of Columbia, available at the Urban Institute's Web site. This paper is one in a series of occasional papers analyzing information from these and other sources.

Contents

Introduction 1

Changes in Child Care Assistance under PRWORA 2

Opportunities to Improve the Administration of Child Care Assistance 5

State Choices in Program Design 8

Collaboration between Child Care and Early Childhood Education 14

Conclusions 17

Notes 19

About the Authors 23

Child Care Assistance under Welfare Reform: Early Responses by the States

Introduction

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) fundamentally changed federal child care assistance programs for low-income families. The legislation eliminated federal child care entitlements and consolidated the major sources of federal child care subsidies for low-income children into a single block grant to states—the Child Care and Development Fund (CCDF). That block grant program gives states greater flexibility in designing their child care assistance programs, providing an opportunity to streamline the complex child care system that was in place before PRWORA and to design a system of assistance that better meets the states' child care needs and objectives.

This report describes the child care assistance system in place just before PRWORA and provides some early indications of how states will use the increased freedom of the CCDF to develop new systems of assistance. This information is particularly useful in light of recent proposals by the President and Congress to expand federal child care assistance further. The report begins with an overview of changes in the federal child care programs under PRWORA and the implications of those changes for child care funding in the states. It then outlines the opportunities for states to improve the administration of child care assistance, the choices that states now have in program design that affect program eligibility and program costs, and the interaction and possibilities for

collaboration between child care and early childhood education assistance programs. The final section of the report is the authors' conclusions.

This report is part of a multi-year Urban Institute project designed to analyze the devolution of responsibility for social programs from the federal government to the states. That project—*Assessing the New Federalism*—aims to provide timely, nonpartisan information to inform public debate and to help state and local decisionmakers carry out their new responsibilities more effectively. As part of that project, case studies were conducted in 13 states, home to half of the nation's population, in late 1996 and early 1997. The 13 states are Alabama, California, Colorado, Florida, Massachusetts, Michigan, Minnesota, Mississippi, New Jersey, New York, Texas, Washington, and Wisconsin. Those case studies covered income support and social services, including child care assistance, and health programs. This report draws on the child care assistance component of the case studies.

Changes in Child Care Assistance under PRWORA

The Child Care and Development Fund

PRWORA consolidated the four key federal child care assistance programs for low-income families into a single block grant to states—the CCDF.[1] Three of the four programs consolidated into the CCDF block grant existed under Title IV-A of the Social Security Act. The Aid to Families with Dependent Children (AFDC) Child Care Program provided child care entitlements to families who were receiving AFDC and were working or in an education or training program. The Transitional Child Care (TCC) program provided assistance to families who were making the transition from AFDC to work. The third program, At-Risk Child Care, entitled states to receive funds up to a capped amount to serve

Table 1 *Federal Funding for Child Care Assistance Programs for Low-Income Families under Prior Law and PRWORA (FY 1997 funding, in billions)*

Projected Funding under Prior Law		PRWORA	
Title IV-A Child Care[a]		**Child Care and Development Fund**[c]	
AFDC and Transitional Child Care	$1.105	Mandatory Funds	$1.200
At-Risk Child Care	0.300	Matching Funds	0.767
Child Care and Development Block Grant (CCDBG)[b]	0.935	Discretionary Funds	1.000
Total	$2.340	Total	$2.967

a. *Federal Budgetary Implications of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996*, Congressional Budget Office, December 1996.

b. The CCDBG was authorized through FY 1995 and continued to operate under a continuing resolution in FY 1996. The estimated funding level for FY 1997 equals the amount appropriated for the CCDBG in each of previous two fiscal years.

c. "Child Care Program Instruction," Child Care Bureau, Administration for Children and Families, Department of Health and Human Services, ACYF-PI-CC-96-17, October 30, 1996.

BEST COPY AVAILABLE

working families who were "at risk" of coming onto AFDC if they did not receive assistance with child care. Together, these three programs would have provided about $1.4 billion in federal funding for FY 1997 under prior law, according to projections by the Congressional Budget Office (table 1). All three of the Title IV-A child care programs required state matching funds to draw down federal dollars.[2]

The fourth child care program incorporated into the CCDF—the Child Care and Development Block Grant (CCDBG)—provided federal child care funds for states for assistance to low-income families, as well as for activities to improve the overall quality and supply of child care for all families.[3] The tabulations in this report assume that CCDBG funding in FY 1997 would have been $0.935 billion, the amount provided in each of the previous two years.

Based on Congressional Budget Office estimates, total funding under the Title IV-A and CCDBG programs in FY 1997 would have been $2.34 billion. The CCDF provided up to $2.97 billion in federal funding in FY 1997, an increase of $600 million (27 percent) over the prior programs.[4] Thus, although PRWORA eliminated the entitlement to child care assistance for welfare families, the legislation provided a substantial increase in federal funding for child care in its first year.

Components of Child Care Funding under the CCDF

The CCDF funds are divided into three components: mandatory funds, matching funds, and discretionary funds.[5] Each state is entitled to receive a share of the mandatory funds ($1.20 billion in FY 1997) with no matching requirements. State allocations of these funds are based on the higher of the state's FY 1994, FY 1995, or average FY 1992–94 federal Title IV-A child care funding. The matching funds ($0.77 billion for FY 1997) are available to states that maintain state spending equal to their prior Title IV-A child care match.[6] Child care expenditures above that level will be matched by federal dollars, up to the state's allocated share of these funds.

The legislation also authorizes $1 billion each year in discretionary funds, which are subject to annual appropriation. These funds are distributed to states according to a set formula and do not require state matching funds. At the end of each fiscal year, all unused federal funds under CCDF are redistributed to qualifying states.

In addition to the direct changes to child care assistance programs under PRWORA, the new law allows states to transfer up to 30 percent of their AFDC-replacement block grant (the State Family Assistance Grant) from cash assistance to child care. The State Family Assistance Grant equals the sum of the state's recent federal funding for AFDC, Job Opportunities and Basic Skills (JOBS), and Emergency Assistance (a total of about $16.4 billion for FY 1997), and funds the new Temporary Assistance for Needy Families (TANF) program (the successor to AFDC).[7] This provision allows the addition of up to $4.9 billion in funding for child care assistance to the roughly $3.0 billion provided

by the CCDF. With many states experiencing declines in TANF caseloads in FY 1997 and 1998, the states have had leftover FY 1997 TANF funds that could be used to fund, among other services, child care assistance.

Preliminary evidence from the 13 states included in this study and from a survey of all the states by the American Public Welfare Association (APWA) suggests that many states are investing more than the required funds needed to pull down the full federal match under CCDF (table 2).[8] According to the APWA study, in August 1997, all 50 states and the District of Columbia expected to draw down all the available federal child care funds under PRWORA. Among the 13 states covered in this report, seven states had invested or expected to invest more in child care assistance than the level required to draw down the available federal funds, and four states expected to transfer TANF funds to CCDF. During the first year of PRWORA, there has been a significant increase in both federal and state funds for child care in the 13 states. Estimates suggest that with all 13 states drawing down the maximum level of child care funding available under CCDF in FY 1997, the need for child care assistance could be met for at most about half of low-income children seeking child care assistance.[9] Although still far from universal coverage, this represents a substantial improvement over the one-third of children who could have been covered if the programs in place before PRWORA had continued.

Table 2 *States' Expected Funding for Child Care under PRWORA in FY 1997*

State	Estimated State Maintenance-of-Effort Thresholds (millions)[a]	State Has or Expects to Draw Down All Available Federal Funds[b]	State Has or Expects to Invest More State Funds Than Required to Draw Down All Available Federal Funds	State Has or Expects to Transfer TANF Funds to CCDF	State Drew Down All Available Federal Funds under the At-Risk Child Care Program in FY 1994[c]
Alabama	$6.90	Yes	—	No	No
California	92.95	Yes	Yes	No	No
Colorado	8.99	Yes	No	No	Yes
Florida	33.42	Yes	—	No	Yes
Massachusetts	44.97	Yes	Yes	Yes	Yes
Michigan	24.36	Yes	Yes	—	No
Minnesota	19.69	Yes	Yes	No	Yes
Mississippi	1.72	Yes	No	No	No
New Jersey	31.66	Yes	Yes	No	Yes
New York	104.89	Yes	—	—	Yes
Texas	34.68	Yes	No	Yes	No
Washington	38.77	Yes	Yes	Yes (if needed)	Yes
Wisconsin	16.47	Yes	Yes	Yes	No

Sources: Urban Institute case studies and

a. "Child Care Program Instruction." Child Care Bureau, Administration for Children and Families, Department of Health and Human Services, ACYF-PI-CC-96-17, October 30, 1996.

b. "The Child Care Challenge: States Leading the Way." Washington, DC: Government Affairs Department, American Public Welfare Association, August 1997.

c. "Who Cares? State Commitment to Child Care and Early Education." Gina Adams and Nicole Oxendine Poersch. Washington, DC: Children's Defense Fund, December 1996.

Related State Funding

In addition to the direct funding of child care assistance, 11 of the 13 study states (Alabama and Mississippi were the exceptions) allocated funds to state early childhood education programs, and five states (Florida, Massachusetts, Minnesota, Washington, and Wisconsin) allocated state funds to supplement the federal Head Start program. Head Start provides preschool children from low-income families with activities that foster mental, emotional, social, and physical growth. While the fundamental goals of early childhood education programs often differ from those of the child care programs, early childhood education programs can often help to meet the child care needs of participating families. The links between child care and early childhood education programs are described in more detail later in this report.

Opportunities to Improve the Administration of Child Care Assistance

A key aspect of recent federal law changes is the increased freedom that states have in structuring their child care assistance systems. Before PRWORA, child care programs were frequently criticized for the plethora of laws, rules, regulations, and accounting practices across the different funding streams. These often resulted in a complex system that was difficult to administer and difficult for families to access. Many states sought to develop a "seamless" system of child care that integrated the different funding streams to minimize these problems. Despite these efforts, many state administrators reported that the complexity of the pre-PRWORA child care system interfered with their ability to meet the needs of children and their families. Consistent with that view, the General Accounting Office reported that "the fragmented nature of the child care funding streams, with entitlements to some client categories, time limits on others, and activity limits on still others, produces unintended gaps in services, which limit the ability of low-income families to achieve self-sufficiency."[10]

A frequent first step in developing a seamless system is to consolidate the administration of all child care funding streams within a single state agency to facilitate the management of the system of assistance. Before PRWORA, nine of the 13 study states had consolidated child care administration within a single state agency (table 3), often the same agency that administered the state's welfare programs. In most of the nine states, the local administrative structure was also consolidated, but in three of those states (Colorado, Minnesota, and New York), program administration varied across the counties, with some counties having multiple agencies involved in program operations. In the remaining states, child care assistance tended to be divided along program funding lines, with welfare-related child care in one agency and non-welfare-related child care (e.g., child care under CCDBG) in another agency (often an education agency). In Mississippi and Washington, although child care administration was consolidated within a single agency,

Table 3 *Seamlessness of the Child Care Assistance Systems in the States before PRWORA*

State	Single State-Agency Administering All Child Care Assistance	Single Point of Entry for Child Care Assistance	Standardized		Single Waiting List	Welfare Families Transition across Funding Streams without Breaks in Assistance
			Application	Policies and Procedures		
Alabama	Yes	Yes	Yes	Yes	Yes	Yes
California	No	No	No	No	No	No
Colorado	Yes	Yes	Yes	Yes	Yes	Yes
Florida	Yes	Yes	Yes	Yes	Yes	Yes
Massachusetts	No	No	No	No	No	No
Michigan	Yes	Yes[a]	Yes	Yes	Yes	Yes
Minnesota	Yes	No	No	No	No	No
Mississippi	Yes[b]	No	No	No	No	No
New Jersey	No	No	Yes	No	No	No
New York	Yes[c]	Varies by county[a]	No	No	No	No
Texas	Yes	Yes	Yes	Yes	Yes	Yes
Washington	No[b]	Varies by county	No	No	No	No
Wisconsin	Yes	Yes	Yes	Yes	Yes	Yes

Source: Urban Institute case studies.

a. Before PRWORA, child care assistance for AFDC families with earnings was provided via higher AFDC benefits. Such families could deduct child care expenses (up to a maximum) from earnings in determining their monthly AFDC benefit.

b. Administered by two separate agencies within a single department.

c. Does not include Title XX child care assistance.

welfare-related child care was administered by one office and non-welfare-related child care by another.

Other elements of seamlessness that often follow a consolidation of program administration include a single point of entry for families seeking assistance; standardized applications, policies, and procedures across different programs; and a single waiting list for low-income families needing assistance. These characteristics all serve to make the child care system more accessible for families. Before PRWORA, only six of the 13 study states had achieved that level of seamlessness (Alabama, Colorado, Florida, Michigan, Texas, and Wisconsin). For the remaining states, obtaining access to child care assistance could be a difficult and time-consuming process. All too often, families would have to apply for assistance with multiple agencies or providers, perhaps completing multiple applications and placing their names on multiple waiting lists. In many cases, staying on the waiting list required that a family contact each organization on a regular basis to confirm its continued need for assistance. For those families who were able to obtain child care assistance, a change in income or the age of a child might well mean that the family needed to apply to a new program and, in some cases, at a new agency. For example, in San Diego, a family that was seeking child care assistance before PRWORA could apply for assistance at one of three different local organizations, each maintaining its own waiting list.

A final characteristic common to seamless systems is the elimination of gaps in assistance as families move across funding streams (e.g., from child care under AFDC to Transitional Child Care assistance to At-Risk Child Care assistance to child care funded by CCDBG). Placing a priority on continuity of

BEST COPY AVAILABLE

assistance ensures that child care assistance is seamless for welfare families as their circumstances change. However, it can also mean that working poor families are blocked out of assistance as the limited funds available for non-welfare families are reserved for families moving off welfare. Thus, a system that is seamless for the welfare population may exclude families with no prior welfare history from assistance.

Seven of the 13 study states placed a priority on continuing to assist families as they moved off welfare. In the remaining states, discontinuities in child care assistance often occurred as families' AFDC participation, employment, and earnings situations changed. In particular, there were often gaps as families left welfare and moved to the TCC program, and after their TCC eligibility ended. In states without a priority for families exhausting their TCC eligibility, such families often would be placed on waiting lists with other low-income families.

When all the aspects of seamlessness are considered together, six states (Alabama, Colorado, Florida, Michigan, Texas, and Wisconsin) had established fully seamless child care systems before PRWORA. In those states, problems in the administrative structure for child care assistance have been minimized, and access to the system for families is relatively easy. For example, in Michigan a family would fill out a single application to apply for all programs and eligibility categories. Program processes, procedures, payments, and requirements remain the same for the family regardless of whether its eligibility status changes.

With the increased flexibility in program design under PRWORA, several of the states that had not achieved a seamless system before PRWORA are making significant strides in that direction. Most notably, four states (California, Massachusetts, New Jersey, and Washington) have moved to consolidate child care assistance within a single state agency. In California, before welfare reform, the administration of child care funding was split between the Department of Education and the Department of Social Services. Under PRWORA, the state is combining all child care and child development funds in a single state agency—the Department of Education. In Massachusetts, four state entities were involved in child care before PRWORA; under PRWORA there is a single child care agency. In both California and Massachusetts, where interactions between the child care agencies before PRWORA were often difficult, this consolidation represents a significant change in the state's administration of child care assistance. Program administrators in Massachusetts credited PRWORA with serving as a catalyst for change within their child care system.

For some states that had established substantially seamless systems before PRWORA, the greater flexibility in design under PRWORA provides the incentive to address the remaining gaps in the system. Florida has made its next goals to establish (1) a single point of entry for all child assistance programs (child care and early childhood education) and (2) unified waiting lists. Several other states reported that they expect to make changes in their child care systems but that their first priority under PRWORA has been to develop the design for

TANF and get that program up and running. They expect to tackle additional changes in the child care system later.

State Choices in Program Design

States have traditionally had a fair amount of latitude in determining the specific features of their federally funded child care assistance programs. Under prior law, the federal government defined the broad program parameters, and states determined a number of specific program features such as income eligibility for nonwelfare families, reimbursement rates for child care providers, family copayments, payment mechanisms (e.g., contracted child care slots, vouchers), and licensing requirements. In addition, several states that had made significant changes in their welfare programs under federal waivers from program regulations before PRWORA also made changes in their child care programs to support those welfare reform efforts (e.g., extending transitional child care benefits).

PRWORA builds on those changes by allowing states even greater flexibility in designing their child care systems. However, state child care choices under PRWORA must be made in the context of the broader changes in welfare assistance under the new legislation. Changes under TANF include strong work participation requirements and time limits, which increase the number of families who enter the workforce and, consequently, the need for child care assistance.[11] The expectation among program administrators in many of the study states is that, over time, the federal changes in welfare policies under PRWORA will increase the demand for child care assistance among current and former welfare families, particularly among families with very young children. That expectation is playing an important role in states' design choices as they take advantage of the flexibility available under PRWORA to restructure their child care programs. The remainder of this section considers two important areas of state choice that affect the size and cost of their child care programs: who receives child care assistance and the payments made for that assistance.

Who Receives Child Care Assistance?

Receipt of child care assistance is typically a function of income eligibility criteria and, because funding levels have been such that not all income-eligible families could be served, priority groups among the eligible families. Before PRWORA, families were guaranteed child care assistance while they were receiving AFDC and working or in an education and training program, and for up to 12 months after they left AFDC because their earnings increased. Non-AFDC low-income families could obtain child care assistance through the At-Risk Child Care Program and the CCDBG programs, subject to a state's program eligibility requirements and available funds. Under the At-Risk program, states set their own maximum income eligibility limits. Eligibility for assistance under the CCDBG was limited by federal statute to families with incomes not exceeding 75 percent of the state median income (SMI).

Under the CCDBG, six states (California, Massachusetts, Michigan, Minnesota, Mississippi, and Wisconsin) set their eligibility criteria at the maximum allowed under federal law, 75 percent of SMI (table 4). The eligibility limits set by the remaining study states ranged from 46 percent of SMI (Alabama) to 67 percent of SMI (Texas). These rates translated into income eligibility limits of between 123 percent of the federal poverty level (FPL) in Alabama and 278 percent in Massachusetts. Under the At-Risk Child Care Program, the maximum income eligibility limits ranged from 130 percent of FPL in Alabama to 291 percent in California, with five states setting rates above that of the CCDBG program (Alabama, California, Michigan, Mississippi, and New Jersey).[12]

It should be noted that these income eligibility limits do not imply that all families falling below the income screen would have received child care assistance. In only two of the study states—Colorado and Michigan—were federal and state child care funds before PRWORA sufficient to ensure that all eligible families requesting assistance were receiving child care. Colorado was able to serve all eligible families by setting low maximum income eligibility criteria. In contrast, Michigan set its income eligibility standard at the federal maximum level, but turned to relatively high family copayments to reduce demand among higher-income eligible families.

In the remaining states, funding priorities were used to determine who among the eligible families would be served first. By law, states were required

Table 4 *Monthly Income Eligibility Limits (for Family of Three), by State*

	Income Eligibility Limits in Place in 1994–96[a]			Income Eligibility Limits in Place in 1997–99 under the Child Care Development Fund[a]	
		Child Care and Development Block Grant Limit			
State	At-Risk Child Care Limit as a Percent of Federal Poverty Level[b]	As a Percent of Federal Poverty Level[b]	As a Percent of State Median Income	As a Percent of Federal Poverty Level[b]	As a Percent of State Median Income
Alabama	130%	123%	46%	130%	49%
California	291	218	75	225	75
Colorado	147	151	51	185	58
Florida	150	156	54	146	85
Massachusetts	196	278	75	249	67
Michigan	224	219	75	195	52
Minnesota	214	248	75	257	75
Mississippi	161	158	75	165	85
New Jersey	268	222	60	200	52
New York	200	210	64	202	65
Texas	150	193	67	206	75
Washington	148	164	52	175	56
Wisconsin	225	228	75	165	53

Source: Information drawn from 1994–96 State Plans for Title IV-A and CCDBG, and 1997–99 State Plans for CCDF, as reported by each state to the U.S. Department of Health and Human Services. The 13 case studies showed that some states had made changes in their programs subsequent to the submission of those plans. Those changes are not captured in the table.

a. These figures represent the maximum income eligibility level in the state. In some states the eligibility for program entry was set below the level for continued eligibility. For example, Massachusetts set the maximum eligibility limit for entry into the CCDBG program at 50 percent of SMI, with continued eligibility permitted up to 75 percent of SMI.

b. Tabulations for 1994–96 use the 1994 federal poverty level for a family of three ($985/month); tabulations for 1997–99 use the 1997 federal poverty level for a family of three ($1,111/month).

BEST COPY AVAILABLE

to give priority for child care services to children with special needs and children in protective services. In six states, funding priority after that was given to families whose eligibility for the TCC program was ending. For the remainder of the eligible population, some states established priority groups to ensure that they served the poorest families first (e.g., Washington and Wisconsin), and others provided assistance on a first-come, first-served basis (e.g., Massachusetts and Michigan).

When the demand for child care assistance exceeded the available federal and state child care funds, the group most likely to be left without assistance across the states was low-income working families with no connection to the welfare system. One state official in Massachusetts noted that even with the addition of state funds for child care, the state was able to serve few nonwelfare low-income families beyond those moving off the TCC program. Families who could not be served with the available funds were placed on waiting lists, with little likelihood of receiving assistance. Typically, nonwelfare low-income families were not afforded the same level of child care support as welfare and former welfare families, raising concerns about the equity of the child care system for nonwelfare families and the perverse incentives of the welfare system. Respondents in several states noted that the best way to obtain child care assistance in their state before PRWORA was for the family to go on welfare.

PRWORA fundamentally changed program eligibility for child care assistance by eliminating the entitlement for families receiving welfare or transitioning off welfare. As a result, states have greater flexibility in allocating child care funds across both the welfare and nonwelfare populations. However, that flexibility is limited by two factors. First, PRWORA prohibits states from sanctioning a single parent with a child under the age of six who does not meet the work requirements because no child care is available.[13] Because federal funding is contingent upon the states' ability to meet work participation rates among welfare recipients, states are unlikely to limit child care assistance for TANF families.[14]

Second, PRWORA stipulates that states must use at least 70 percent of the mandatory and matching CCDF funds to assist families who are currently receiving public assistance, attempting to transition off public assistance, or at risk of becoming dependent on public assistance. This requirement represents an increase over prior spending on the Title IV-A child care programs, which were targeted to the same populations (i.e., the former AFDC, TCC, and At-Risk Child Care programs).

Because of these two provisions of PRWORA, states have a strong incentive to provide child care assistance to welfare families under CCDF, tempering any state efforts to develop systems that provide assistance without regard to welfare status. The entitlement for assistance that existed before PRWORA has been replaced by strong financial incentives for the states to make serving the welfare population their first priority.

As was true before PRWORA, a key design element of state child care programs under CCDF is the state's maximum income eligibility criteria. PRWORA

raises the maximum eligibility level for CCDF to 85 percent of the state's median income, up from the 75 percent limit of CCDBG. So far, only two states (Florida and Mississippi) have taken advantage of that change to raise their eligibility level to 85 percent of SMI. The remaining states have set their limits between 49 percent of SMI (Alabama) and the earlier CCDBG maximum of 75 percent of SMI (California, Minnesota, and Texas). These rates translate into maximum income eligibility limits for CCDF child care assistance from 130 percent of FPL in Alabama to 257 percent in Minnesota. Five states have set limits that are higher than their previous At-Risk or CCDBG programs (Colorado, Minnesota, Mississippi, Texas, and Washington), and three states have set lower limits (Michigan, New Jersey, and Wisconsin).[15]

In many states, the higher levels of funding under PRWORA will not be adequate to serve all the families that satisfy the state's maximum income eligibility criteria.[16] Thus, as was true under the child care assistance system before PRWORA, states have developed target groups for child care assistance among the eligible families. In almost every case, the state has preserved the basic structure of programs in place before PRWORA. In particular, all 13 study states had established welfare recipients as the first priority group under the new program, and most have established families transitioning off welfare as the second priority group. At least three states (California, New Jersey, and Texas) are continuing the extended periods of transitional child care assistance they had in place before PRWORA, and two states (Florida and New York) are expanding their transitional benefits. After serving welfare and welfare-related families, at least three states (California, Florida, and New Jersey) provide assistance first to those families with the lowest incomes. In New York, where counties set their own priorities within the state income eligibility limits, some counties are electing to serve the poorest families first as well.

Many policymakers and advocates across the study states share concerns that the capped federal funding, the higher work participation requirements under TANF, and the requirements on CCDF funds for TANF recipients will increase the share of child care funds dedicated to welfare families, crowding out access for working poor families. In Minnesota, for example, state officials acknowledge that working poor families who would have been served before PRWORA are now losing out to welfare families. And both Florida and Washington have provided additional child care funding targeted specifically to the nonwelfare low-income population to avoid such crowding out.

One state, Wisconsin, has undertaken a more radical change in its child care system, establishing a universal child care program that makes assistance available to all eligible families. To accomplish its goal of supporting families without regard to their welfare status, Wisconsin made two key changes in its child care program. First, it increased state funding for child care significantly. Second, it reduced the pool of eligible families that needed assistance by lowering the maximum income level for eligibility.[17] No study state is considering guaranteeing child care assistance to all families who would be eligible under the federal maximum allowable levels.

Who Pays for Child Care?

There are two sources of payments for assistance under child care programs: the payment made by the child care program and, if required, the payment made by the child's family. In determining the appropriate level of payment to providers and the appropriate copayments for families, states face difficult choices. Higher reimbursement rates allow parents to choose from a wider array of providers, but fewer children will be served with a given level of funding than would be possible with lower maximum reimbursement rates. Lower reimbursement rates allow a state to stretch the available funds over a greater number of children, but they may make it difficult for families to find acceptable providers who will accept the low rate.[18] Parental copayments help to offset the costs of child care for the program, while also ensuring that the family bears part of the responsibility for paying for care. If the copayment is too high, though, families may be unable to afford to pay their share of child care costs, which could lead them to leave the labor force or turn to less satisfactory child care arrangements (e.g., informal care or self-care).

Under the Title IV-A child care programs in place before PRWORA, states were required to establish reimbursement rates based on actual prices for care in the child care market. Reimbursement rates were to be established at the 75th percentile of market rates (prices) for child care to provide low-income families with access to a broad array of providers.[19] However, states had the option of establishing a statewide limit on total payments that was below the price implied by the 75th percentile. The maximum reimbursement for child care services was then set as the actual cost of care (based on the provider's usual charges to the public) up to the 75th percentile or the statewide limit, whichever was lower. For example, both Colorado and Massachusetts set their statewide limit on reimbursements at less than the 75th percentile in an effort to serve a greater number of children with the available funds.

Unlike the Title IV-A programs, the CCDBG did not require states to establish market rate ceilings. However, many states used the same standards for both the Title IV-A and CCDBG programs. One exception was California, which established maximum reimbursement rates for CCDBG-funded child care above the 75th percentile level.

Despite requirements of the Title IV-A programs, the actual payment rates in many states lagged behind the market rates because the data used in adjusting payments tended to be updated very slowly. For example, in 1995 Alabama and Texas were basing their reimbursement rates on market rate surveys that were conducted in 1991. For states using older market rate surveys, their maximum reimbursement rates lag behind *current* market rates.[20]

Under PRWORA, states are no longer required to reimburse providers up to the 75th percentile of market rates. However, most of the case study states continue to base their maximum reimbursement rates for CCDF child care on the 75th percentile of local market rates. One exception is California, which has

continued the higher reimbursement rate that it used under the CCDBG for its CCDF child care.

Focusing on the maximum reimbursement rates for preschool children shows how reimbursement rates have changed under PRWORA. Although the maximum reimbursement rates vary across children of different ages, the general patterns of rate changes are similar across the age groups. As shown in table 5, the maximum reimbursement rates for full-time subsidized care for a preschool child before PRWORA ranged from $59 per week (Alabama) to $147 per week (Massachusetts) for center-based care and from $50 per week (Mississippi) to $110 per week (New Jersey) for care in a family child care home (a private home where one or more adults care for at least one unrelated child on a regular basis). Under PRWORA, the maximum reimbursement rates for preschool children in centers stayed the same or increased in most of the study states.[21]

In an effort to stretch child care dollars further, as well as to ensure family responsibility for child care, many states are stressing increased cost-sharing with parents. Before PRWORA, copayments were not permitted for AFDC recipients receiving child care assistance, were required under TCC, and could be applied, at state option, under the At-Risk and CCDBG programs. Under PRWORA, most states have increased parent copayments, with the amounts increasing as income increases. At least two states (Florida and Wisconsin) have initiated family copayments for *all* families receiving subsidies, including families on public assistance.

Table 5 *Maximum Weekly Reimbursement Rates for Full-Time Subsidized Child Care for Preschool Children under Title IV-A Child Care and PRWORA*

	Center		Family Child Care Home	
State	Title IV-A Reimbursement Rates in Place in 1994–96	Percentage Change in Reimbursement Rates under PRWORA	Title IV-A Reimbursement Rates in Place in 1994–96	Percentage Change in Reimbursement Rates under PRWORA
Alabama	$59.28	18.1%	$56.73	5.8%
California	97.73	16.6	93.53	9.3
Colorado	82.69	–9.0	72.69	–4.3
Florida	68.02	13.4	72.61	10.0
Massachusetts	146.87	–7.6	99.76	–2.7
Michigan	65.62	–0.2	61.72	0.0
Minnesota	88.03	22.8	71.78	21.5
Mississippi	60.00	8.3	50.00	–30.0
New Jersey	110.20	0.0	110.20	0.0
New York	113.19	15.2	85.47	18.7
Texas	67.51	11.6	58.15	11.5
Washington	81.04	9.5	79.00	–3.2
Wisconsin	80.57	37.4	80.57	31.0

Source: Information drawn from 1994–96 State Plans for Title IV-A and CCDBG, 1997–99 State Plans for CCDF, as reported by each state to the U.S. Department of Health and Human Services.

Note: For states with reimbursement rates that vary across geographic regions, these figures represent a weighted average of the state rates. The age groups used by states in establishing maximum reimbursement rate schedules vary. This table is calculated on the basis of the rates that would apply to preschool children in care while their parents worked full time. For those states that reported rates at the county level, the table reflects a weighted average across the counties, calculated to obtain a statewide rate.

BEST COPY AVAILABLE

Collaboration between Child Care and Early Childhood Education

In addition to funding child care assistance programs, five of the 13 study states supplement the federal Head Start program with state funds, and 11 states invest state funds in their own early childhood education programs (table 6). The size and the scope of the early childhood education programs vary widely

Table 6 *State Supplemental Funding for Head Start and Major State-Funded Early Childhood Education Programs*

State	State Supplements Funding of Head Start	State Early Childhood Education Program		
		Program Name	State Funding Level [Children Served][a]	Target Population
Alabama	No	No program	—	—
California	No	State Preschool Program	$85 million in SFY 1994–95 [36,000]	Low-income 3–5-year-olds
Colorado	No	Colorado Preschool Program	$17 million in SFY 1996 [8,500]	Low-income 4-year-olds
Florida	Yes	Prekindergarten Early Intervention	$104 million in SFY 1995–96 [27,000]	Low-income 3–4-year-olds
Massachusetts	Yes	Community Partnerships for Children	$24 million in SFY 1997 [9,000]	Low-income 3–4-year-olds
Michigan	No	Michigan School Readiness	$63 million in SFY 1997 [18,000]	At-risk 4-year-olds
Minnesota	Yes	Early Childhood Family Education	$36 million in SFY 1996 [270,000]	Parents of all 0–4-year-olds
		Learning Readiness	$9.5 million in SFY 1996 [46,000]	All 3½-year-olds to kindergarteners
Mississippi	No	No program	—	—
New Jersey	No	GoodStarts	$5.2 million in SFY 1997 [41,000]	Low-income urban 3–4-year-olds
New York[b]	No	Prekindergarten program	$47 million in SFY 1993 [19,500]	Disadvantaged 3–4-year-olds
Texas	No	Prekindergarten program	$101.1 million in SFY 1993–94 [110,000]	Disadvantaged 4-year-olds
Washington	Yes	Early Childhood Education and Assistance Program	$23.6 million in SFY 1994 [7,400]	Low-income 4-year-olds
Wisconsin	Yes	Prekindergarten program	Funding level not available [18,000 in SFY 1996]	All 4-year-olds

Source: Urban Institute case studies.

a. The number of children was estimated as the total dollars of care provided in a year divided by the annual cost of providing care to a single child.

b. In 1997, New York passed a law establishing funding for a Universal Prekindergarten Program, open to all school districts in the state.

across the states, although most are prekindergarten programs targeted to low-income three- and four-year-olds.

Child care and early childhood education can be viewed as separate functions within the broader system of early childhood programs. Child care focuses on parents' need for someone to care for their children while they are at work, in school, or in training, and much of child care assistance is focused on supporting a parent's transition from welfare to work. Early childhood education has typically focused on comprehensive child development services, without regard to the parents' work, school, or training schedules. Often the early childhood education program is provided for only part of the day, requiring the parent to organize work hours and child care hours around the program's hours.

Early childhood education programs, with their emphasis on developmentally appropriate care, also tend to be significantly more expensive than child care, covering fewer children with a given level of funding. For example, before PRWORA the Head Start program in California was funded at $26 per child for a half day, while center-based child care for a preschool child was funded at a maximum of about $23 per child for a *full* day of care.

The restricted hours of many early childhood education programs, combined with their higher costs per child relative to child care, have limited the role such programs play in serving families moving from welfare to work. However, because substantial shares of the families in early childhood education programs are welfare recipients, the changes in welfare under PRWORA create an increased need for collaboration and cooperation between the child care and early childhood education communities. Traditionally, such collaboration has been difficult to achieve. Differences in the philosophy behind the programs, separate administrative structures and funding streams, and differences in program requirements have all made collaboration complicated.

In most states, the child care and early childhood education programs are administered by different state agencies (e.g., the welfare agency vs. the education agency).[22] In addition, early childhood education programs tend to have a great deal of local autonomy. The federally funded Head Start program provides funding to local grantees, bypassing state involvement completely. State-funded early childhood education programs, when they exist, often pass funds to local programs, generally based upon local school districts.[23] With early childhood education programs administered by local Head Start grantees and local school districts, there is not a unified voice for early childhood education in most states, complicating any collaboration with state child care programs. The challenge for both child care and early childhood education is to find ways to ensure the availability of child care services that support both families' efforts to be self-sufficient and the school-readiness of the children.

Efforts at building linkages between the child care and early childhood education programs have been initiated at the federal level (e.g., the federal Head

Start Bureau's Head Start State Collaboration Grants), as well as within individual states and communities, during the 1990s. Many states have been successful at beginning the dialogue between the child care and early childhood education communities. For example, efforts to develop full-day early childhood education programs have existed within most of the states for a number of years.

Notwithstanding these efforts, few states have been successful at developing fully collaborative efforts between their child care and early childhood education programs.[24] In particular, few states have managed to develop programs that merge child care and early childhood education resources within a program that includes elements of both programs. New Jersey has perhaps covered the most ground in building an integrated system with "GoodStarts," a program that provides a full-day preschool program in a limited number of sites. That program, which is funded from both child care and early childhood education funding streams, has been successful at bringing Head Start, child care, and early childhood education programs together to serve children in 10 urban school districts.

Because of the local focus of the Head Start program and many state early childhood education programs, collaborations have tended to be most successful as local initiatives. However, building those collaborations can be a difficult and time-consuming process. In New York City, a community organization has made several efforts to integrate Head Start and child care programs in its facilities. The goal of those efforts has been to eliminate duplication in the systems and leverage the available child care and early childhood education funds to create a program that meets the child care needs of the working family while remaining true to the child development goals of the Head Start programs. As the New York City respondent noted, collaboration is being built "one site at a time."

Efforts at collaboration between child care and early childhood education will expand as states work to meet the needs of low-income children and their families more effectively. The pressure for increased collaboration arises in response to three factors: (1) the increased flexibility in child care funding under PRWORA, (2) the significant shares of early childhood education children in families on welfare, and (3) the fact that neither child care nor early childhood education programs are able to serve all eligible families in most states. However, it is likely that the philosophical and programmatic barriers that stymied successful collaboration before PRWORA will continue to slow states' efforts to establish such collaborative programs. One proposal to facilitate more state-level collaboration that is being voiced more frequently across the states is to provide federal Head Start funding to each state to allocate across its local communities. Providing a role for the state in the process would promote greater coordination with other state early childhood education and child care programs, the proponents believe. However, some Head Start supporters are concerned that a block grant would dilute the national standards for Head Start and result in decreased investment in early childhood education.

Conclusions

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) made fundamental changes in federal child care assistance programs for low-income families. Under the new Child Care and Development Fund (CCDF) block grant, states have much greater flexibility in administering their child care programs and in determining who is eligible for child care assistance and what payments are made for that assistance. In addition, PRWORA substantially increased federal and state funding for child care in its first year of operation, with many states increasing their child care investment beyond that required to draw down the federal funds available under the CCDF.

Despite the increased investment in child care under PRWORA, there is a great deal of uncertainty among state officials about the long-run adequacy of federal and state funding levels. The increasing work requirements and time limits under Temporary Assistance for Needy Families (TANF), the caps on federal funding, and an unknown economic future have made states hesitant about expanding coverage under their child care programs in the short run. In addition, the PRWORA requirement that a significant share of CCDF funds be allocated to welfare and welfare-related families means that states have less opportunity for innovative new child care programs than might have been expected under the block grant. The child care entitlements for welfare families in place before PRWORA have been replaced by a preference for assistance under PRWORA. As a result of these factors, most of the study states have made relatively narrow changes in their child care programs. The exception is Wisconsin, which has established a universal child care program that serves all eligible families seeking assistance. The state was able to undertake this major program change by investing substantial levels of new state funds and setting the eligibility criteria well below the federal maximum allowable income eligibility level.

With falling welfare caseloads and increased funds available under PRWORA, all of the study states have had more than adequate funds to serve their welfare populations. However, as was true before PRWORA, only a few of the states have been able to serve all of the nonwelfare low-income families seeking child care assistance. The challenge remains in each of the states to provide enough child care assistance to meet the demands of welfare reform while continuing to serve nonwelfare working poor families. In an effort to ensure that the child care demands of welfare reform do not completely crowd out child care support for the working poor, several states have invested additional state dollars in child care that is targeted to that population. However, no state is considering guaranteeing child care assistance to all families who would be eligible under the federal maximum allowable income levels.

In contrast to the limited changes in program design, the study states have made more significant changes in the administration of child care assistance. Four of the seven states that had not established a fully seamless system of child care assistance before PRWORA have moved to consolidate child care assis-

tance programs within a single state agency, an important first step to an integrated system. Even in states that had achieved substantially seamless systems before PRWORA, additional administrative refinements are being contemplated. For example, Florida intends to build a system of early childhood programs that bridges the administration of child care and early childhood education programs. Although less explicit as a goal in the other states, efforts at better coordination between child care and early childhood education programs are under way in all of the states. While the traditional philosophical and programmatic barriers that have slowed collaboration efforts in the past still exist, the increased pressures on both systems under PRWORA are likely to generate more progress in the future.

Overall, the study states' initial responses to the opportunities to redesign child care assistance under PRWORA have been relatively limited. However, as states continue to reevaluate their child care systems, develop their TANF programs, and gain greater experience with child care needs under TANF, they are likely to take greater advantage of the flexibility of PRWORA to restructure their child care systems.

Notes

1. Families also receive assistance with child care costs through the Child and Dependent Care Tax Credit, the single largest source of child care assistance before the CCDF existed. However, the tax credit, as a nonrefundable offset against income tax liability, does little to aid low-income families who owe no federal income tax. Almost $2.7 billion was claimed under the dependent care tax credit in 1995 (U.S. Internal Revenue Service, 1995). PRWORA does not affect this credit. In addition, most states allocate a portion of their Title XX Social Services Block Grant (SSBG) to child care.

2. States received federal funds according to each state's "Medicaid matching rates." These rates, which are inversely related to state per capita income, are used to determine the federal and state share of costs for Medicaid and the former AFDC and Title IV-A child care programs. In 1996, these rates ranged from 50 to 78 percent. *1996 Green Book*. U.S. House of Representatives, Committee on Ways and Means, 1996.

3. Before PRWORA, states were required to use 25 percent of their CCDBG funds for activities to improve the quality and availability of child care. PRWORA lowers that requirement to 4 percent, but applies it to all federal CCDF funds.

4. While PRWORA increased federal funding for child care under the CCDF, another provision of the legislation somewhat offsets that increase. PRWORA reduced funding for the Title XX SSBG, a supplemental source of child care funding in most states, by 15 percent per year over the 1996–2002 period. In FY 1997, this lowers the total SSBG funding from $3.0 billion to $2.6 billion. *Federal Budgetary Implications of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996*. Congressional Budget Office, December 1996.

5. The regulations governing the allocation of the CCDF funds are quite complicated. For a detailed summary of child care provisions of the PRWORA legislation, see "A Summary of Key Child Care Provisions of H.R. 3734, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996." Washington, DC: Center for Law and Social Policy, 1996.

6. Under the child care provisions of PRWORA, a state is required to maintain its historic level of Title IV-A child care spending to access its designated share of the matching funds available under the CCDF. Under the Temporary Assistance for Needy Families (TANF) provisions of PRWORA, there are additional incentives for the state to maintain at least a part of that child care spending. A state's TANF block grant will be reduced if the state fails to spend 80 percent of its "historic state expenditures" for "qualified state expenditures" in the prior year. State expenditures on child care up to the state maintenance-of-effort requirement for child care matching funds can be counted toward the state's "qualified state expenditures" under TANF.

7. For a discussion of state options under TANF, see Sheila Zedlewski and Linda Giannarelli. *Diversity among State Welfare Programs: Implications for Reform*. Brief No. A-1. Washington, DC: The Urban Institute, January 1997. For a discussion of the issues surrounding the use of TANF funds for child care, see Mark H. Greenberg, "Spend or Transfer, Federal or State? Considerations in Using TANF and TANF-Related Dollars for Child Care." Washington, DC: Center for Law and Social Policy, January 1998.

8. "The Child Care Challenge: States Leading the Way." Washington, DC: Government Affairs Department, American Public Welfare Association, August 1997.

9. See *The New Child Care Block Grant: State Funding Choices and Implications*. Sharon K. Long and Sandra J. Clark. *New Federalism: Issues and Options for States*. Series A, No. A-12, Washington, DC: The Urban Institute, October 1997. These estimates do not capture changes in families' work or child care decisions in response to PRWORA. To the extent that more families enter the workforce because of TANF, or seek child care assistance because of the increased availability of funding, the estimates will overstate the share of children who can be served.

10. "Child Care: Working Poor and Welfare Recipients Face Service Gaps." Washington, DC: U.S. General Accounting Office, May 1994.

BEST COPY AVAILABLE

11. The changes under PRWORA that have direct implications for state child care programs include (1) a narrower definition of work activities; (2) an increase in the number of hours required for participants in work activities; (3) the elimination of many categories of exemptions from the work requirements (under PRWORA, there are exemptions only for single parents with children under the age of six who cannot find child care and single parents with children under the age of one); (4) a requirement that a greater share of the state's nonexempt caseload participate in work activities; and (5) a five-year time limit for federally funded assistance. For a brief outline of requirements in cash assistance programs under AFDC and now TANF, see *A Comparison of Selected Key Provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 with Current Law*. The Urban Institute, August 1996.

12. Under the Transitional Child Care program, some states also limited eligibility by income, so that some otherwise eligible families did not receive assistance for the full 12 months. Nine of the 13 states restricted TCC eligibility to families with incomes ranging from less than 118 percent of FPL in Alabama to 270 percent of FPL in Massachusetts. Four states (California, New Jersey, Texas, and Washington) placed no income restrictions on TCC eligibility. These figures are from Christine Ross, "State Child Care Assistance Programs for Low-Income Working Families" (Table III.1: Income Eligibility Guidelines for Transitional Child Care in 1994, by State), Washington, DC: Mathematica Policy Research, April 2, 1996.

13. The federal statute defines this as the unavailability or unsuitability of formal or informal child care arrangements within a reasonable distance from the recipient's home or workplace, but states have some leeway in interpreting and enforcing this rule.

14. In 1997, states were required to meet work participation rates of 25 percent of their single-parent families and 50 percent of their two-parent families on public assistance. These rates increase to 50 and 90 percent, respectively, by 2002.

15. Some states have set additional eligibility criteria for their child care programs. Michigan, for example, requires applicants to seek other income such as child support and unemployment compensation as a condition of eligibility. New York also requires applicants to provide documentation that they are pursuing child support payments. Wisconsin has implemented an asset test for child care eligibility; families are allowed no more than $2,500 in assets, excluding the value of their home and the first $10,000 of the value of their family car.

16. Several states have established TANF program rules that should reduce some of the demand for child care assistance. In particular, Alabama, Minnesota, Mississippi, New York, and Washington exempt a parent of an infant under age one from the TANF work requirement.

17. To help offset the costs of providing assistance to more families, Wisconsin also increased family copayments and created a new category of child care providers who are paid at a lower rate.

18. Although not addressed in this report, there is concern among state officials and advocates across the study states about the adequacy of the supply of child care at the existing reimbursement rates. Before PRWORA there were shortages of providers of infant care, school-aged care, care for children with special needs, and care at nontraditional hours. These shortages are expected to worsen under PRWORA with the anticipated increases in the demand for care. States are starting to implement a variety of policies to encourage increases in supply. For example, California increased the child/staff ratio for school-aged care so that a provider can now serve more children. Similarly, Massachusetts has created a new category of provider, the large family day care provider, that is licensed to care for more children than the state's family day care provider. See "States' Efforts to Expand Programs." Washington, DC: U.S. General Accounting Office, January 1998.

19. The 75th percentile standard for the reimbursement rate was established to ensure that low-income families could purchase, at a minimum, 75 percent of the child care available in their community.

20. At least one state (Florida) undertook an annual update of its market rate survey.

21. At least two states (Florida and Wisconsin) have established differential rates that provide higher (lower) levels of reimbursements for providers who meet higher (lower) standards.

BEST COPY AVAILABLE

22. Among the states in this study, only Minnesota administers its child care and early childhood education programs out of a single state agency. This is a relatively recent organizational change (1995) that so far has had little impact on collaboration between the two types of programs. At the time of the site visit, the child care and early childhood education staff in the new agency operated independently.

23. Although most programs are administered through local school districts, there are exceptions. California's State Preschool Program provides grants to local public agencies, nonprofit organizations, and schools. Massachusetts distributes funds to local community councils, which then allocate funds to organizations in their communities. The funds for Washington's Early Childhood Education and Assistance Program are available to any entity in the community that can demonstrate that it meets community need. Local grantees include school districts, community colleges, community action groups, child care providers, local governments, and tribal organizations. In Massachusetts and Michigan, the state's early childhood education providers are often also the local Head Start grantees, ensuring greater collaboration across state-funded programs and Head Start in those states.

24. Respondents in California and Michigan noted that they have also had difficulty building collaborative relationships between state early childhood education programs and Head Start, where the philosophical barriers, at least, are less pronounced than between child care and early childhood education.

BEST COPY AVAILABLE

About the Authors

Sharon K. Long is a senior research associate in the Health Policy Center of the Urban Institute. Her research has covered a wide range of issues related to poverty, welfare policy, employment and training programs, child care, health care, and long-term care.

Gretchen G. Kirby is a senior research analyst with Child Trends, Inc., whose work focuses on child care issues as well as the methods of collection, use, and reporting of social indicators of family and child well-being at the federal and state levels.

Robin Kurka was a research assistant in the Income and Benefits Policy Center of the Urban Institute. Her research interests included child care and welfare issues.

Shelley Waters is a research associate at the Urban Institute's Population Studies Center. She specializes in child welfare and related children's, youth, and family issues.

The Urban Institute

2100 M Street, N.W.
Washington, D.C. 20037

Phone: 202.833.7200
Fax: 202.429.0687
E-Mail: paffairs@ui.urban.org
http://www.urban.org

Nonprofit Org.
U.S. Postage
PAID
Permit No. 8098
Washington, D.C.

Occasional Paper

29

BEST COPY AVAILABLE